

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY JIDDA

C O N F I D E N T I A L STATE 224661

E.O. 11652: GDS

TAGS: ETEL, SA, US

SUBJECT:ARAB BOYCOTT AND TELECOMMUNICATIONS

REF: A. STATE 204113, B. STATE 216851, C. STATE 087587,

D . JIDDA 5912, E. JIDDA 6021

1. AS NOTED IN REF. B. THE DEPARTMENT BELIEVES THAT THE BEST APPROACH TO THE SAUDIS CONCERNING THE POSSIBLE EXEMPTION OF TELECOMMUNICATIONS FROM THE PROVISIONS OF THE BOYCOTT WOULD BE THROUGH JIDDA. WE HAVE DISCUSSED THIS WITH RCA REPRESENTATIVES PER REF. E, AND THEY HAVE AGREED TO DEFER ANY ACTION UNTIL THE EMBASSY'S REPRESENTATIONS HAVE BEEN COMPLETED.

2. ACCORDINGLY, THE EMBASSY IS REQUESTED TO APPROACH THE SAG TO REQUEST THAT TELECOMMUNICATIONS BE EXEMPTED FROM THE PROVISIONS OF THE BOYCOTT. THE EMBASSY MAY WISH TO DRAW UPON THE FOLLOWING POINTS IN ITS DISCUSSIONS:
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3. THE FCC IS NOW CONSIDERING APPLICATIONS BY ITT AND WUI FOR NEW AND EXPANDED SERVICE TO SAUDI ARABIA EITHER THROUGH A EUROPEAN POINT OR VIA THE ATLANTIC SATELLITE. BECAUSE OF THE BOYCOTT, HOWEVER, RCA CANNOT COMPETE FOR END-TO-END MESSAGE TRAFFIC TO SAUDI ARABIA. IF THE FCC SHOULD GRANT AUTHORITY TO FIRMS NOT BOYCOTTED TO USE THE ATLANTIC SATELLITE, SUCH A DECISION CAN BE EXPECTED TO BE CHALLENGED IN THE U.S. ON LEGAL OR POLICY GROUNDS. THE IDEAL SOLUTION WOULD BE FOR SAUDI ARABIA TO EXEMPT THE TELECOMMUNICATIONS AREA MUCH AS IS GENERALLY DONE WITH HOTELS AND AIRLINES. ON TELECOMMUNICATIONS POLICY GROUNDS, STRONG CASE CAN BE MADE FOR EXEMPTING TELECOMMUNICATIONS FROM ALL POLITICAL INTERFERENCE. INTERNATIONAL TELECOMMUNICATIONS HAVE A DAILY, VITAL IMPACT ON THE NATIONAL AND ECONOMIC INTERESTS OF ALL ARAB NATIONS. THESE SERVICES SATISFY AN ESSENTIAL AND CONTINUING PUBLIC NEED. THE BEST POSSIBLE TELECOMMUNICATIONS SERVICES ARE REQUIRED BETWEEN ARAB COUNTRIES AND ALL NATIONS, INCLUDING THE UNITED STATES. SUCH ACTION, OF COURSE, WOULD BE SUPPORTIVE OF U.S. ADMINISTRATION ARGUMENTS THAT THE BEST APPROACH TO BOYCOTT PROBLEMS AS PERCEIVED IN THE U.S. IS THROUGH PRAGMATIC DISCUSSIONS AND NOT THROUGH CONFRONTATIONAL LEGISLATION.

4. SAUDI ARABIA NOW EXCHANGES RECORD TRAFFIC WITH ALL U.S. CARRIERS USING INDIRECT ROUTING. APPROXIMATELY 30 PERCENT OF THIS TRAFFIC IS CARRIED BY RCA. BECAUSE OF THE STRUCTURE OF THE U.S. INTERNATIONAL TELECOMMUNICATIONS INDUSTRY, SAUDI ARABIA WILL UNDOUBTEDLY CONTINUE TO EXCHANGE TRAFFIC WITH ALL U.S. CARRIERS, INCLUDING RCA.

INDIRECT ROUTING CAUSES GREATER DELAYS AND ADDITIONAL OUTAGES, IS MORE COSTLY BECAUSE OF THE CHARGES ADDED BY THE INTERMEDIATE CARRIER ITALCABLE, AND RESULTS IN GREATER DISTORTION AND NUMBER OF TRANSMISSION ERRORS. THUS, IF DIRECT ROUTING IS DENIED TO SAUDI SUPPLIERS AND USERS OF TELECOMMUNICATIONS, IT IS THEY AND THEIR U.S. COUNTERPARTS WHO WILL BE THE LOSERS IN BOTH QUALITY OF SERVICE AND COST. FURTHER, IF DIRECT ROUTING FOR SOME CARRIERS IS NOT ESTABLISHED FOR BOYCOTT REASONS THE NEW

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SAUDI EARTH STATION RUNS THE RISK OF UNDERUTILIZATION AND WILL BE A LESS EFFICIENT USE OF AN EXPENSIVE CAPITAL INVESTMENT. THE QUESTION THUS BECOMES WHETHER SAUDI ARABIA WILL INVOKE THE BOYCOTT ISSUE TO THE DETRIMENT OF ITS OWN SUPPLIERS AND USERS OF TELECOMMUNICATIONS.

5. THERE ARE PRECEDENTS WHICH DEMONSTRATE THAT IT IS CONTRARY TO INTERNATIONAL POLICY AND THE SELF INTEREST

OF EVERY COUNTRY, INCLUDING THE ARAB COUNTRIES, TO BOYCOTT
TELECOMMUNICATIONS:

A.) THERE IS DE FACTO RECOGNITION OF THE SPECIAL STATUS
OF TELECOMMUNICATIONS IN THE NUMBER OF ARAB COUNTRIES

(E.G. EGYPT, JORDAN, LEBANON, MOROCCO, ALGERIA, TUNISIA)
WHICH HAVE NOT APPLIED THE BOYCOTT TO TELECOMMUNICATIONS.

B.) INTERNATIONAL TELECOMMUNICATIONS SERVICES HAVE
HISTORICALLY BEEN CARRIED ON AMONG NATIONS WITHOUT REGARD
TO POLITICAL DIFFERENCES. FOR EXAMPLE, THE U.S. DID NOT
SEVER DIRECT TELECOMMUNICATIONS LINKS WITH CHINA OR CUBA,
EVEN WHEN WE SEVERED DIPLOMATIC AND TRADE RELATIONS WITH
THOSE COUNTRIES. MOST OTHER COUNTRIES HAVE ALSO CON-
SISTENTLY FOLLOWED THIS PRINCIPLE.

C.) THE INTERNATIONAL TELECOMMUNICATION CONVENTION, TO
WHICH ARAB NATIONS AND ISRAEL ARE PARTIES, HAS AS ITS
STATED PURPOSE: "TO MAINTAIN AND EXTEND INTERNATIONAL
COOPERATION FOR THE IMPROVEMENT AND RATIONAL USE OF
TELECOMMUNICATIONS OF ALL KINDS...TO HARMONIZE THE ACTIONS
OF NATIONS IN THE ATTAINMENT OF THESE ENDS."

D.) MOST ARAB STATES AND ISRAEL ARE SIGNATORIES TO THE
DEFINITIVE ARRANGEMENTS OF INTELSAT WHICH HAS THE AGREED
OBJECTIVE OF ESTABLISHING "A SINGLE, GLOBAL COMMERCIAL
SATELLITE SYSTEM IN ORDER TO PROVIDE EXPANDED TELECOM-
MUNICATIONS SERVICES TO ALL AREAS OF THE WORLD."

E.) THE MAJOR U.S. INTERNATIONAL RECORD CARRIERS, WESTERN
UNION INTERNATIONAL (WUI), ITT AND RCA ALL HAVE OPERATING
AGREEMENTS WITH ISRAEL AND SERVE ISRAEL.

6. THE APPROACH OUTLINED ABOVE, I.E. A GENERAL EXEMPTION
OF TELECOMMUNICATIONS, WOULD SERVE NOT ONLY TO AVOID A
POTENTIAL LEGAL PROBLEM FOR THE USG, BUT WOULD ALSO
WORK SIGNIFICANTLY TO IMPROVE THE SERVICES OFFERED TO
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SAUDI ARABIA.

7. FYI: IT IS NOT OUR INTENT TO HOLD OUT A THREAT TO
ARAB COUNTRIES OF OUR CONTINUING TO WITHHOLD AUTHORIZA-
TIONS FOR INSTITUTION OF NEW TELECOMMUNICATIONS SERVICES
IF BLACKLISTED CARRIERS ARE PRECLUDED FROM PARTICIPATION.
THE DECISION ON LICENSING WILL IN FACT BE MADE BY THE
FCC, AN INDEPENDENT REGULATORY AGENCY IN CONSULTATION WITH
THE DEPARTMENT. THE EMBASSY SHOULD EXERCISE DUE CAUTION
TO ENSURE THAT THE EMBASSY'S PRESENTATION IS NOT
CONSTRUED AS A THREAT, BUT RATHER AS A PRAGMATIC SOLUTION
TO A DIFFICULT PROBLEM.

8- RCA PARENT COMPANY WAS ORIGINALLY PLACED ON THE BOYCOTT
LIST WHEN IT ENTERED A LICENSING AGREEMENT WITH AN

ISRAELI FIRM FOR PRODUCTION OF RCA RECORDS FOR THE
ISRAELI DOMESTIC MARKET. THE BOYCOTT WAS LATER EXPANDED
TO INCLUDE RCA GLOBECOM. WE UNDERSTAND THAT A SAUDI FIRM
HAS NOW APPROACHED RCA SEEKING A SIMILAR ARRANGEMENT.
DETAILS FOLLOW SEPTTEL. END FYI. KISSINGER

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